



Finance, Revenue, & Bonding Committee
Legislative Office Building
Hartford, CT 06106

RE: Raised Bill No. 1007 – An Act Concerning the Governor's Recommendations on Revenue

Dear Chairmen Daily and Widlitz & Members:

I am Kathleen Burns, General Manager of Noank Shipyard and Seaport Marine. Both facilities are located on the Mystic River less than ten miles from the Rhode Island border. Our staff of 18 are mechanics, riggers, equipment operators, bookkeeper and customer service people. Six on-site contractors employ an additional 18 people who are salesmen, metal workers, divers, fiberglass and paint laborers. And in-season, 12 dock attendants are added. That's 48 jobs between the two boat yards. Less than 10 miles from the Rhode Island border.

I am also Chairman of the CT Marine Trades Association. Representing hundreds of businesses and thousands of employees.

But, today I am one voice representing all of us strongly urging you to review and remove the boating taxes that are included in this bill to help us save our jobs.

The Taxes:

A new 6.25% tax on storage and labor....currently exempted for competitive positioning

An additional .25% on all other currently taxable products and rents

The removal of the trade in exemption

A luxury tax of 9.35%

A personal property tax on all boats

In no uncertain terms these will force a customer exodus across the State's border, resulting in lost revenue, a loss of jobs. History is on our side in this argument.

- When the federal luxury tax was instituted in 1990, the industry permanently lost 25,000 jobs. Fiscally, the government sustained a net \$7.6 million LOSS, as a result of the luxury tax initiative. Vessels, especially in Florida, escaped to the tax haven of the Bahamas, decimating the Florida boating economy. Just as the customer will do here – escaping to the tax haven and boat-welcoming State of Rhode Island. Decimating our industry in Connecticut.
- Conversely however, when the storage and labor taxes were exempted here in CT in the 90's, our business experienced an immediate 35% increase in those categories spurring additional generation of sales tax through parts, slips and moorings. We added three additional mechanics and thus began a decade of a sustained revenue stream benefitting all: the business, its employees and the State. We had a competitive answer to Rhode Island's tax free environment.

- Changing that today will be devastating.

Edward de Bono said that “most mistakes in thinking are inadequacies of perception rather than mistakes of logic”.

All boating taxes – and their advocacy have been and are currently designed to “tax the rich”. However, as illustrated during the 1990 debacle, US Rep E. Clay Shaw said “obviously the target of the tax was the wealthy, but the losers are the people who work in the marine industry.”

We have been down this road before. While on paper it targets the rich. In reality it reduces demand. Costs jobs. Destroys an economy.

Not all States can promote and benefit from a strong marine economy. But Connecticut Can. Please Promote it and Embrace It. Don’t over tax it and destroy it. There will be no winners.

Respectfully submitted,

Kathleen Burns
General Manager Noank Shipyard, Inc.
Chairman, Connecticut Marine Trades Association